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SUBJECT: ITALIAN MFA OFFICIAL OUTLINES ITALIAN ENERGY,
ENERGY SECURITY POLICY

REF: A. STATE 14271
[1](#)B. STATE 9670

Classified By: Ecmin Thomas Delare for reasons 1.4 (b) and (d)

[1](#)1. (C) Summary. During a February 13 meeting with Embassy Officers, Giovanni Manfredi, the Italian MFA official responsible for energy issues, provided a wide-ranging and candid assessment of Italian energy and energy security policy. Manfredi said Italian demand for natural gas will continue to grow in the coming years, but that increased imports of Russian gas will be matched by increased imports from North Africa and via LNG. He characterized the relationship between Italian oil and gas parastatal ENI and Gazprom as one of necessity, not choice, pointing out that natural gas pipelines linking Italy to the most readily-accessible natural gas sources are owned by Gazprom. Turning to the role of NATO in addressing energy security issues, Manfredi said the GOI position is that NATO should limit itself to ensuring the physical security of European energy infrastructure and not involve itself in broader political and economic energy security issues. End summary.

Caspian Basin Gas

[1](#)2. (C) Econoff began the meeting by noting the high level of interest within the USG regarding energy security issues and the EU's energy relationship with Russia. He noted that the USG and GOI have worked together with the governments of Turkey, Greece, and Azerbaijan to move forward the Turkey-Greece-Italy natural gas pipeline (the TGI pipeline), and gave Manfredi a copy of Ref B non-paper concerning increased estimates of Caspian Basin natural gas reserves and production capacity. (Note: Embassy previously shared this paper with the Ministry of Economic Development on February [1](#)5. End note.) Manfredi was glad to learn that Azerbaijan is expected to have sufficient natural gas to fill both the TGI and Nabucco pipelines. He questioned how the natural gas, especially Turkmen gas, will be exported from the Caspian Basin without crossing Russian or Iranian territory. Econoff pointed out that some thought has been given to a trans-Caspian pipeline linking Turkmenistan to Azerbaijan, and that the capacity of the Azerbaijan-Turkey portion of the pipeline could be increased to accommodate more gas. Manfredi took this point, but noted boundary disputes in the Caspian Sea between Azerbaijan, Turkmenistan, Russia, and Iran must be resolved before a trans-Caspian pipeline can be built.

Italian Energy Policy

[1](#)3. (C) Turning to broader energy policy issues, Manfredi said that EU member states are responsible for developing their

own energy policies. As a result, each member state has its own energy mix and energy problems. In contrast, all of the EU member states share common EU energy goals, including the "20-20-20" goal of achieving a 20 percent reduction in emissions and a 20 percent increase in EU member states' use of renewable energy sources by 2020.

¶4. (C) In Italy's case, the decision has been made to shift energy consumption from oil to natural gas. To a large extent, this goal has already been achieved. Italy's petroleum imports have been stable since 2006, while natural gas imports continue to rise. Manfredi noted that Italy depends almost entirely on imported energy sources. Italy currently imports 85 percent of its energy, a figure expected to reach 98 percent by 2020. Manfredi said the GOI is trying to diversify Italian sources of natural gas as much as possible. That said, Italy currently imports 58 percent of its natural gas from Russia and Algeria. This figure is expected to reach 66 percent by 2020. (Note: In 2005, Italy consumed 84.27 billion cubic meters (bcm) of natural gas. Of this, 23.33 bcm (27 percent) was from Russia, with the remainder coming from North Africa (Algeria, Libya) and the North Sea. End note.) According to Manfredi, the GOI plans to build additional pipelines to North Africa and increase the number of LNG regasification terminals in order to facilitate increased imports from Nigeria, Qatar, and Egypt. He also noted that ENI and Edison (the Italian energy company that is investing in the TGI pipeline) have purchased the rights to explore for oil and gas in parts of the Barents Sea controlled by Norway. He also noted that ENI has recently invested in energy projects in Alaska.

¶5. (C) ECONCOUNS told Manfredi that Post has recently been looking at Italy's energy security, specifically at its

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dependence on Russian energy, and asked about Italy's degree of dependence on Russian sources. ECONCOUNS noted that in addition to the Southstream project that may increase the supply of Russian natural gas to Western Europe, Italy plans to build a new pipeline to Algeria, the TGI pipeline from the Caspian, and increase its number of LNG re-gasification plants. Will these projects effectively maintain the current diversity of Italy's energy sources? Will Italy's level of dependence on Russia remain stable? In response to there questions Manfredi said he expects the overall level of dependence on Russia to remain at current levels, and noted that Italy has historically relied on Russian (or Soviet) energy supplies. He recalled that in the 1950's, "in the depths of the Cold War," Italy imported about half its coal supply from the Soviet Union. Referring to the 2006 cut-off of Russian natural gas shipments via Ukraine, Manfredi said "we never had the problems with coal that we've seen with gas."

The ENI-Gazprom Relationship

¶6. (C) Following up on Manfredi's statement that the GOI is concerned about Italian dependence on imports of Russian natural gas, Econ Counselor asked if the GOI is equally concerned about the relationship between ENI and Gazprom. Manfredi replied that ENI "doesn't have many choices," and that ENI's decision to pursue a closer relationship with Gazprom was dictated by the fact that pipelines delivering Russian natural gas to Italy are owned by Gazprom. Manfredi characterized as "long and tedious" the negotiations that culminated in the 2006 "strategic relationship" between ENI and Gazprom, adding that ENI drove a hard bargain to get as fair as possible an agreement. In the end, ENI and ENEL, the Italian electricity parastatal, obtained rights to invest in the Russian "upstream" sector and in electricity generation for Russia, while Gazprom will be allowed to sell natural gas in the Italian retail market. Manfredi pointed out that control of the Italian natural gas distribution system will remain in Italian hands. An ENI subsidiary, Snam Rete Gas,

owns and operates Italy's domestic natural gas pipelines.

¶7. (C) ECONCOUNS noted that Gazprom is often portrayed in the media a key instrument in Kremlin plans to dominate the European energy market, and that ENI is sometimes presented as an Italian accomplice in this effort. Does the GOI get complaints from the EU or from member states about the support that its parastatal is giving to Gazprom? Manfredi said that Italy has received only a few comments from Ambassadors of "former Warsaw Pact" countries on this point.

¶8. (C) Asked if Italy's relationship to Russian energy is similar to that of Germany's, Manfredi took obvious delight in pointing out that Italy has no former Prime Ministers on the Gazprom payroll.

NATO's Role in Energy Security Issues

¶9. (C) Given the breadth and importance of the energy security issue, Econoff asked if the GOI thinks NATO should play a role in formulating a response to Russian dominance of the EU's natural gas supply. Manfredi was unequivocal in his response, and said GOI policy is to limit the number of fora in which energy and energy security issues are discussed. The GOI's position is that the International Energy Agency (IEA), International Atomic Energy Agency (IAEA), and the G-8 are the appropriate fora for these discussions because these organizations have the experience and expertise needed to host substantive discussions. To the extent NATO becomes involved in energy security issues, its involvement should be limited to ensuring the physical security of energy infrastructure such as "sea lanes and LNG terminals," according to Manfredi.

¶10. (U) Responding to Ref A points on possible Indian and Chinese membership in the International Energy Agency (IEA), Manfredi said the GOI is in favor of Indian and Chinese membership, but noted work needs to begin on removing the bureaucratic and procedural obstacles that currently prevent India and China from joining.

COMMENT

¶11. (C) This conversation was a reminder that the term "energy security" means different things in different countries. We use the term in the context of our efforts to reduce our troubling addiction to Middle East oil. We see a

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European analog in the EU's dependence on Russian energy, and seem to expect them to be as "solution oriented" as we are. But our Italian contacts do not see this the way we do. They were dependent on Russian energy when Russia was in the Soviet Union, so their current dependence on energy from that country is neither new or troubling for them. The terminology disconnect is even more significant once the possibility of NATO involvement in "energy security" comes up. While we may be talking about the broad threats to national security posed by the possibility of Ukraine-like gas cutoffs by the Russians, when people like Manfredi hear talk of NATO involvement in "energy security" they may be thinking of only the physical, military security of sea lanes and key infrastructure facilities.

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